

TRIPOLI-READLYN SANITATION AGENCY

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
OTHER INFORMATION
SCHEDULE OF FINDINGS

June 30, 2013

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Tripoli-Readlyn Sanitation Agency

Officials

Name	Title	Representing
Barry Fortsch	Chairperson	Readlyn
Carol Ambrose	Vice Chairperson	Tripoli
DeAnn Lahmann	Secretary/Treasury	Tripoli
Rollie Ott	Board Member	Readlyn
Barry Wittenburg	Board Member	Tripoli
Kevin Sievers	Board Member	Tripoli
Dan Woods	Board Member	Tripoli

Independent Auditor's Report

To the Members of the
Tripoli-Readlyn Sanitation Agency

Report on the Financial Statements

I have audited the accompanying financial statement of the business-type activities of the Tripoli-Readlyn Sanitation Agency as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statement, which collectively comprise the Agency's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business-type activities of the Tripoli-Readlyn Sanitation Agency as of June 30, 2013 and 2012, and the respective changes in cash basis financial position for the years ended June 30, 2013 and 2012 in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Tripoli-Readlyn Sanitation Agency has not presented a Management's Discussion and Analysis that the Governmental Standards Board has determined is necessary to supplement, although not required to be part of the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 29, 2014 on my consideration of Tripoli-Readlyn Sanitation Agency's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tripoli-Readlyn Sanitation Agency's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Keith Oltrogge CPA PC". The signature is stylized and slanted.

Keith Oltrogge

Certified Public Accountant

May 29, 2014

Financial Statement

Tripoli-Readlyn Sanitation Agency

Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net Position – Proprietary Fund

Years ended June 30, 2013 and 2012

	2013	2012
Operating receipts:		
Garbage pick-up	\$ 134,700	\$ 127,552
Fees	25,752	6,868
Total operating receipts	<u>\$ 160,452</u>	<u>\$ 134,420</u>
Operating disbursements:		
Landfill fees	\$ 22,282	\$ 22,144
Wages	44,276	49,773
Gas and oil	10,782	12,651
Advertising	147	177
Legal and accounting	3,000	-
Contract labor	8,310	1,094
Equipment maintenance	3,585	2,736
Equipment rental	425	-
Insurance	9,747	12,090
Equipment	-	93,402
Travel	25	-
Supplies	145	496
Utilities	581	444
Benefits	351	-
Payroll taxes	8,325	9,555
Total operating disbursements	<u>\$ 111,981</u>	<u>\$ 204,562</u>
Excess of operating receipts over operating disbursements	<u>\$ 48,471</u>	<u>\$ -70,142</u>
Non-operating receipts (disbursements):		
Interest on investments	\$ 2,668	\$ 1,470
City rebates	-57,134	-
	<u>\$ -54,466</u>	<u>\$ 1,470</u>
Change in cash basis net position	<u>\$ -5,995</u>	<u>\$ -68,672</u>
Cash basis net position beginning of year	<u>218,915</u>	<u>287,587</u>
Cash basis net position end of year	<u>\$ 212,920</u>	<u>\$ 218,915</u>
Cash Basis Net Position		
Unrestricted	<u>\$ 212,920</u>	<u>\$ 218,915</u>
See notes to financial statements.		

Tripoli-Readlyn Sanitation Agency

Notes to Financial Statements

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tripoli-Readlyn Sanitation Agency operates under a 28E Agreement with the Cities of Tripoli and Readlyn, Iowa. It has a separate governing body, the Board of Trustees, whom are appointed to one-year terms. The Agency maintains its own system of books, records and accounts apart from the Cities of Tripoli and Readlyn. The Cities of Tripoli and Readlyn are audited separately.

A. Reporting Entity

For financial reporting purposes, the Tripoli-Readlyn Sanitation Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as a Proprietary Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursement.

Tripoli-Readlyn Sanitation Agency

Notes to Financial Statements

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

The Tripoli-Readlyn Sanitation Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

D. Net Position

Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the agency.

Expendable restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances that do not meet the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management, which can be removed or modified.

The Agency does not have any restricted net position at June 30, 2013.

NOTE 2 – CASH AND INVESTMENTS

The Agency's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Tripoli-Readlyn Sanitation Agency

Notes to Financial Statements

June 30, 2013

NOTE 2 – CASH AND INVESTMENTS (continued)

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are in Certificates of Deposit and are stated at fair value.

At June 30, 2013, the Agency had the following investments:

Certificates of Deposit	Interest Rate	Date Matures	Cost	Fair Value
American Savings Bank	0.60%	12-21-13	\$ 40,901	\$ 40,901
Readlyn Savings Bank	0.70%	2-16-14	76,597	76,597
Readlyn Savings Bank	1.25%	12-16-15	52,339	52,339
			<u>\$ 169,837</u>	<u>\$ 169,837</u>

Interest Rate Risk – The agency manages interest rate risk with segmented time distribution.

NOTE 3 – PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual salary and the Agency is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2013 and 2012, was \$3,839 and \$4,017, equal to the required contribution for the year.

Tripoli-Readlyn Sanitation Agency

Notes to Financial Statements

June 30, 2013

NOTE 4 – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 5 – RELATED PARTY TRANSACTIONS

The Cities of Tripoli and Readlyn pay the Agency monthly fees for garbage pick-up. During the fiscal year ending June 30, 2013, the City of Tripoli paid \$83,514 and the City of Readlyn paid \$51,186.

During the fiscal year ended June 30, 2013, the Agency made the following rebate payments:

City	Amount
Readlyn	\$ 21,711
Tripoli	35,423
	<u>\$ 57,134</u>

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 29, 2014, which is the date the financial statements were available to be issued.

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in Accordance with
Government Auditing Standards**

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Trustees
Tripoli-Readlyn Sanitation Agency

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Tripoli-Readlyn Sanitation Agency as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the Agency's basic financial statements, and have issued my report thereon dated May 29, 2014. My report expressed an unmodified opinion on the financial statements, which were prepared on the basis of cash receipts and disbursements, basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Tripoli-Readlyn Sanitation Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tripoli-Readlyn Sanitation Agency's internal control. Accordingly, I do not express an opinion on the effectiveness of Tripoli-Readlyn Sanitation Agency internal control.

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Tripoli-Readlyn Sanitation Agency's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-13 and I-C-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-13 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tripoli-Readlyn Sanitation Agency's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances for non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Agency. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Tripoli-Readlyn Sanitation Agency's Responses to Findings

Tripoli-Readlyn Sanitation Agency's responses to findings identified in my audit are described in the accompanying Schedule of Findings. Tripoli-Readlyn Sanitation Agency responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the Tripoli-Readlyn Sanitation Agency during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

May 29, 2014

Tripoli-Readlyn Sanitation Agency

Schedule of Findings

Year ended June 30, 2013

Part I – Findings Related to the Financial Statement:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the same individual is responsible for preparation of checks and deposits, recording the transaction in the journals, and reconciling the bank statement.

Recommendation – With a limited number of personnel involved in accounting for Agency activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective control lie in (1) the Board's knowledge of the Agency's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions.

Response – Every effort will be made to further evaluate and restructure accounting tasks limited by the number of employees available to perform said functions.

Conclusion – Response accepted.

Tripoli-Readlyn Sanitation Agency

Schedule of Findings

Year ended June 30, 2013

Part I – Findings Related to the Financial Statement (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

- I-B-13 Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include actual preparation and review of financial statement, including footnote disclosure, for external reporting, as required by an other comprehensive basis of accounting. The Agency does not have internal resources to prepare the full-disclosure financial statements required by another comprehensive basis of accounting for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with this condition because of cost or other considerations.

Recommendation – I recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting purposes is difficult. However, I recommend that Agency officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response – We recognize our limitations, however it is not fiscally responsible to add additional staff at this time.

Conclusion – Response acknowledged.

- I-C-13 Disbursement Approval – For all transactions tested, there was no evidence of Board approval.

Recommendation – The Agency should ensure all expenditures are properly approved. For payments made in advance of Board meetings, the Agency should maintain documentation of the Board's approval of claims for payment, such as a Board member's initials and date of approval. The Agency should also review the list of bills presented to the Board at regular meetings to ensure all claims are included.

Response – We will ensure all expenditures are properly approved and maintain documentation of the approval of disbursements made in advance of Board approval by having a Board member initial and date the claims.

Conclusion – Response accepted.

Tripoli-Readlyn Sanitation Agency

Schedule of Findings

Year ended June 30, 2013

Part II – Other Findings Related to Required Statutory Reporting:

- (1) Questionable Disbursements – No disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Agency Minutes – No transactions were found that I believe should have been approved in the Agency minutes but were not. However, the minutes, including the schedule of bills allowed and gross salaries, were not published as required by Chapter 28E.6(3) of the Code of Iowa. I also noted the minutes were not signed.

Recommendation – The Agency should ensure the minutes are published and signed as required.

Response – This recommendation will be followed for future meetings.

Conclusion – Response accepted.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission's investment policy were noted, except as follows:

A resolution naming official depositories has not been adopted by the Agency.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted in accordance with Chapter 12C of the Code of Iowa.

Response – A resolution naming official depositories with sufficient amounts will be adopted.

Conclusion – Response accepted.

Tripoli-Readlyn Sanitation Agency

Schedule of Findings

Year ended June 30, 2013

Part II – Other Findings Related to Required Statutory Reporting (continued):

- (5) Business Transactions – No business transaction between the Agency and Agency officials or employees were noted.
- (6) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Agency retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Agency did not retain images of the front and back of all checks.

Recommendation – The Agency should obtain front and back images of all checks as required by Chapter 554D.114 of the Code of Iowa.

Response – The Agency will contact the bank.

Conclusion – Response accepted.

- (7) Audit Requirement – Chapter 11.6 of the Code of Iowa requires an audit to be completed within nine months following the end of the fiscal year that is subject of the audit. The Agency did not have an audit completed within that time.

Recommendation – The Agency should obtain an audit within the required time.

Response – We will ensure an audit is completed timely in the future.

Conclusion – Response accepted.

- (8) Sales Tax – Sales tax is required to be collected and remitted to the State on garbage collection for nonresidential commercial customers.

Recommendation – The Agency should collect and remit sales tax as required.

Response – We will collect and remit sales tax as required.

Conclusion – Response accepted

Tripoli-Readlyn Sanitation Agency

Schedule of Findings

Year ended June 30, 2013

Part II – Other Findings Related to Required Statutory Reporting (continued):

I-D-13 Bond Coverage – Surety bond coverage of Agency employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations. Your current bond coverage is \$5,000 or 2% of your total assets.